GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:168
ANSWERED ON:20.11.2000
FOOD LAWS
SUBODH MOHITE

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Government propose to enact legislation to create a single authority to administer all the food laws under one umbrella;

(b) if so, the details thereof:

(c) the efforts made by the Government in creation of infrastructure like cold chains, warehouses, transportation etc. for food processing sector;

(d) whether Food Processing sector are facing negative growth rate since the last two years; and

(e) if so, the reasons therefore?

Answer

THE MINISTER OF STATE FOR FOOD PROCESSING INDUSTRIES (SHRI TH. CHAOBA SINGH)

(a) & (b): An Approach paper towards formulation of a Processed Food Development Act has been prepared and circulated. A copy of the paper giving details of the proposal is annexed.

(c): The Government has taken a number of policy initiatives to promote the growth of Processed Food Sector in thecountry, which include inter alia provision of financial assistance in the form of soft loan and grant to private industries public sector undertakings, non-government organizations, cooperatives etc. Such assistance is also provided for creation of infrastructure facilities.

(d) & (e): Food Processing Industries cover different segmentsof the industry and a negative growth rate for the whole sector is not reported. However, in the fruit and vegetable processing sector during the year 1997-98, the growth showed a negative trend. Though detailed reasons for this trend have not been reported, one of the apparently discernible factors to which the negative growth could be attributed is levying of Excise Duty on these products as against the zero duty in the preceding years.

APPROACH PAPER ON PROPOSED PROCESSED FOOD DEVELOPMENT ACT

In 1995, the Government of India appointed a Task Force under the chairmanshipof Justice (Retd.) E.S. Venketaramaiahto review the existing Food Laws including Prevention of Food Adulteration Act(PFA Act) and to suggest a simplified and harmonized Food Law. This Task Force opined that there should be a paradigm shift in the legal framework to promote `good manufacturing practices' which has been universally found to be a better instrument to protect public health, minimize commercial fraud and to promote the development of industry and trade on scientific lines. The Prime Minister's Council onTrade and Industry appointed a Subject Group on Food and Agro Industries headed by Nusli Wadia. This group recommended that there is an urgent need to not only avoid existing multiplicity of laws and multifarious agencies administering them but also suggested that the harmonization of these laws under a single umbrella so that a single authority can supervise the effective implementation of the law concerning food sector. An unwieldy number of laws pervade this industry. Some of them specific to the sector and others affecting the sector indirectly. A list of various laws is appended to this Paper, from which it can be discerned that the food industry is inexorably bound by the different co-ordinates of a wide ranging enactments. These Acts are oblivious of various developments in science, disciplines of food micro-biology, food chemistry, food technology and various trade developments that have taken place in the last few years.

The Committee of Secretaries in its meeting held on31st May, 1999 also underscored the prime need for rationalization and simplification of the various food laws and also directed that food standards be determined and administered by a single authority.

This Department recently organized four regional seminars to elicit inputs for drafting the National Food ProcessingPolicy. The industry representatives were particularly of the view that the existing food laws have been impeding their growth since many times it is not possible for them to keep track of requirements of different Acts and that they are caught in the throes of multi-pronged enactments requiring enormous time and money on their part to conform to the requirements. The existing laws were framed to take care of different situations and these are essentially regulatory in character. As such, these do not in any way help in the development process. The industry also raised several other issues during the Regional Seminars. One issue relates to the WTO challenges including import of food items from other countries into India, the items which are otherwise considered waste in the country of origin. It was also desired that the proposed Act should cover aspects such as micro- nutrients and food fortification, import of new technologies such as genetically modified foods, export regulations, standards, merit goods, taxation etc. They also emphasized the

need for futures market and suggested creation of enabling environment for attracting huge investments in this sector. Government assistance by means of appropriate fund and also by creation of network of laboratories and R&D organizations, it was felt, would go a long way in gearing the industry to become competitive in the international arena. It is felt that there is an urgent need to bring in a new legislation entitled "Processed Food Development Act" which will take into account the core elements of existing food laws that are relevant to the present day context and also introduce other provisions to cater to the industry's requirements.

CONTENTS OF THE PROPOSED ACT

The proposed Act when introduced is expected to provide a single window system and will move from regulatory penal regime to that of promotional and developmental mechanism so as to sub serve the interest of the Indian food industry and to make them viable and competitive to derive the best advantage of globalization of markets.

The proposed Act will attempt to harmonize and rationalize the existing food laws. An attempt will also be made to simplify the rules and procedures so as to make it easy for the industry to comply with the requirements. These provisions will also take into account the requirement of sanitary and phyto sanitary measures required to be adopted as per international standards of manufacturing practices.

An appropriate provision will be made for defining standards. This provision will cover not only the nationally manufactured goods but also the imported goods. The definition and standards will take into account the provisions of AGMARK, Export (Quality Control & Inspection) Act, ISO-9000, SQS-2000 besides Codex standards. The standards defined in the proposed Act will be a compulsory provision rather than the existing voluntary submission. The powers of checking and certification will be given to a network of laboratories and R&D institutions who are considered to possess necessary infrastructure in this regard.

It is also envisaged to provide for an authority who would not only oversee the implementation of the standards but will also have powers to guide and rectify the manufacturing practices as well as to suggest the requisite methodology for adoption by the industry/unit concerned. The decision of this authority will be final and binding and there will be no appeal provision against the decision of this authority. This authority will be a compact committee consisting of industry representatives, representatives of national laboratories, R&D organizations who are conversant with standards and limited Government representatives so that the compliance will be readily forthcoming to its decision.

Since the emphasis of the Act will be on development, it is proposed to include certain provisions for grant of incentives. In this regard, the Act will propose to define what are merit goods and the kind of incentives that could be made for manufacturers of such merit goods. The merit goods will be defined in terms of value addition and higher the value addition the more will be the incentives. An enabling provision for providing similar incentives with regard to products from difficult and backward areas will be incorporated to treat them on par with merit goods. It is also proposed to appropriately make provisions for setting up a Development Fund for the Food Processing Industry to enable the sector to have ready access to investible fund at a reasonable capital cost.

It is also proposed to set up an Equalization Fund under this Act. It is observed that in the food processing sector, the cost of production fluctuates depending upon a variety of factors such as cost of raw material, cost of technology, marketing infrastructure and others. At times, it is likely that the sale proceeds may fall below the cost and the industry will suffer adversely. In such a situation, the differential between the cost price and the sale proceed will be made available to the industry from the Equalization Fund. Where a lot of surplus is expected from the sale proceeds, a portion of surplus will go back to the Fund as a means of replenishment of the Fund.

Ministry of Environment have already issued a Notification regarding manufacture, use, import/export and storage of genetically engineered organisms or cells. The proposed Act, however, will contain enabling provisions for regulating the genetically engineered or modified food items either by means of compulsory labeling or in certain cases totally banning such items either from being imported into the country or from being manufactured or sold in the country. Appropriate rules will be made with reference to these provisions so that such food items which may have long term deleterious effects, can be controlled.

Appendix

(a) Prevention of Food Adulteration Act 1954 and Rules;

(b) Standards of Weights and Measures Act and Packaged Commodity Rules;

(c) Essential Commodities Act and Orders, namely,

Fruit Products Order; Milk and Milk Products Order; Meat Products Order; Solvent Extracted Oil, De-oiled Meal, Edible Flower (Control) Order;

(d) Indian Seeds Act;

(e) The Copra Cess Act;

(f) The Produce Cess Act;

(g) The Industries (Development & Regulation) Act;

(h) MRTP Act;

(i) Consumer Protection Act;

(j) The Central Excise & Customs Act;

(k) Agricultural Produce (Grading & Marketing) Act;

(l) Export (Quality Control & Inspection) Act; and

(m) Environment Protection Act.

(n) Other Central/State/Local Bodies Acts and Rules having bearing on the promotion of Food Processing Industries.